

U.S. Data Review

- Consumer prices: upside surprise in October

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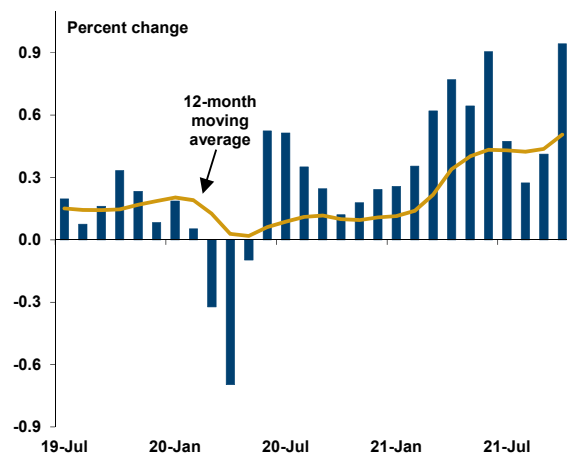
The consumer price index jumped 0.9 percent in October, sharper than the expected increase of 0.6 percent. The core component also exceeded expectations, increasing 0.6 percent versus a consensus of 0.4 percent. The latest changes left a year-over-year advance of 6.2 percent in the headline index and 4.6 percent in the core measure. Both measures posted the sharpest year-over-year increases in more than 30 years (November 1990 for a larger increase in the headline index and July 1991 for the core measure).

Food and energy prices remained under pressure, with the food component jumping 0.9 percent and the energy sector surging 4.8 percent. The average increases in the past five months has now totaled 0.7 percent in the food area and 2.2 percent in the energy sector.

The increase of 0.6 percent returned the core component to a fast track after two calm months (0.1 percent in August and 0.2 percent in September). Much of the pressure on core prices occurred in areas sensitive to Covid-19, with the deceleration in the number of new cases apparently stirring demand and driving prices higher. Hotel charges, fees for vehicle rentals, admission prices to sporting events, and prices of sporting goods all posted sharp increases. The shortage of semiconductors and resulting constraint on the supply of new motor vehicles drove prices of new cars and trucks higher, with spillover into the used car market. Surprisingly, some areas sensitive to the pandemic or supply constraints softened in October, with airfares and prices of household appliances falling. Apparel prices were unchanged.

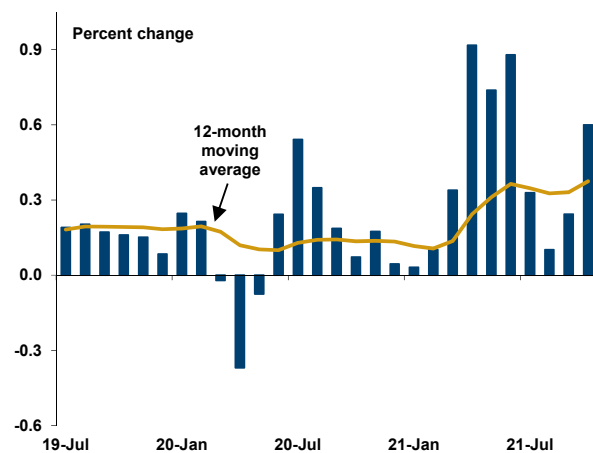
Rental rates merit attention because of the potential for sharp increases to catch up with prices of homes, and this sector seems to be stirring. Rent of primary residence rose 0.4 percent in October after a jump of 0.5 percent in September. The increase in rental rates averaged less than 0.2 percent in the 12 months before the recent spurts. Owners' equivalent rent also has picked up recently, increasing 0.4 percent in both September and October after an average of just over 0.2 percent in the prior 12 months. The cost of medical care had been surprisingly calm in the past year or so, but it jumped 0.5 percent in October, the sharpest increase since the onset of the pandemic and far ahead of the average of 0.1 percent from March 2020 through September 2021.

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

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